

## Consumer Financial Protection Bureau Urges Student Loan Reform

By David Gomez, J.D. Candidate 2018 | October 5, 2015

On September 29, 2015, the Consumer Financial Protection Bureau (“Consumer Protection Bureau”) released a report urging reform in student loan servicing. The report acknowledged poor servicing of student loans and requested that new rules be put in place to protect borrowers. The report said student loan servicing is currently plagued by problems such as inaccurate loan statements, delays in refinancing, surprise late fees, and mislaid payments.

This directive to regulate the student loan servicer market comes out of President Obama’s [Student Aid Bill of Rights statement](#) from March of this year. The stated goal is to “help make paying for higher education an easier and fairer experience for millions of Americans.” [In conjunction](#) with the Departments of Education and the Treasury, the Consumer Protection Bureau urged student loan servicers to be consistent, accurate, actionable, accountable, and transparent. Together, they have laid out a framework for the student loan market, which has recently surged to [\\$1.2 trillion](#) (as of the writing of this article) from \$600 billion just a decade ago.

Servicers are supposed to have a clear set of expectations for borrowers, with information regarding their loans being accurate and actionable. If a servicer misrepresents information to student borrowers, the Consumer Protection Bureau, along with the Departments of Education and the Treasury, want that type of misrepresentation to be punished through newly authorized channels for recourse.

One such servicer already seemed to fall under these new guidelines last July. With the Student Aid Bill of Rights in mind, the Consumer Financial Protection Bureau and Discover Financial Services [settled](#) for \$18.5 million in refunds and penalties for student loan borrowers who suffered unfair practices. The consumer board alleges that Discover overstated minimum payment amounts on billing statements and engaged in other unfair practices for debt collection.

The report concludes that the importance of setting up regulations is highlighted now more than ever, as the director of the CPFEB states that presently [one out of every four](#) student loan borrowers is struggling to repay their loans. Unfair or inconsistent practices can add unjust difficulties to the student borrower, and the ballooning market may come at a price if servicers are taking shortcuts.

Furthermore, it appears that another fight President Obama wants to take on is creating an easier path to [bankruptcy](#) for borrowers of student loans. Specifically, Obama wants Congress to roll back The Bankruptcy Abuse Prevention and Consumer Protection Act that made it difficult for bankruptcy filers to discharge student loan debt. This 2005 law was enacted in response to pressure from student loan lenders and made student loans into the lucrative business it is today.

In an opinion piece that came out one day before the CPFEB report, UC Berkeley professor Robert Reich covers the issue of student loan debt. He points out the contrast in our society

where we afford these types of protections to billionaires such as current Presidential candidate [Donald Trump](#), while ignoring people who wish to improve their own lives and our society through the process of attaining an education. In fact, Reich points out that the standard for bankruptcy in student loan cases is harder than in gambling debts. With gamblers and billionaires afforded the protections of bankruptcy, Reich makes the case that government seems to have lost its focus from times of old, where they “[once sought to protect vulnerable borrowers](#)” through bankruptcy laws. This call for reform from the current administration may signal a return to the ideals of old.